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**ANNUAL
REPORT**

**CONSOLIDATED RAMBLER MINES
LIMITED**

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APR 17 1967

CONSOLIDATED RAMBLER MINES LIMITED

AUTHORIZED CAPITALIZATION

\$5,000,000.00 divided into 5,000,000 shares of the par value
of \$1.00 each.

DIRECTORS

M. J. BOYLEN, D.C.L., D.Sc.	-	-	-	-	Toronto, Ontario
PHILIP E. BOYLEN	-	-	-	-	Toronto, Ontario
ROBERT W. DEMPSEY, B.E., P.Eng.	-	-	-	-	Islington, Ontario
GORDON L. MOORE	-	-	-	-	Islington, Ontario
GORDON F. PUSHIE	-	-	-	-	St. John's, Newfoundland

OFFICERS

M. J. BOYLEN, D.C.L., D.Sc.	-	-	-	-	-	<i>President</i>
PHILIP E. BOYLEN	-	-	-	-	-	<i>Vice-President</i>
GORDON L. MOORE	-	-	-	-	-	<i>Secretary-Treasurer</i>
CHARLES B. BRANNIGAN	-	-	-	-	-	<i>Assistant-Treasurer</i>
D. W. GORDON	-	-	-	-	-	<i>Assistant-Secretary</i>

HEAD OFFICE

SUITE 908, 330 BAY STREET	-	-	-	-	Toronto, Ontario
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MINE OFFICE

BAIE VERTE	-	-	-	-	-	Newfoundland
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AUDITORS

SNYDER, CRAIG & Co.	-	-	-	-	Toronto, Ontario
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TRANSFER AGENT and REGISTRAR

GUARANTY TRUST COMPANY OF CANADA	366 Bay Street, Toronto, Ontario
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DIRECTORS' REPORT

TO THE SHAREHOLDERS:

The Annual Report of the Company, including its comparative Balance Sheet and related financial statements for the fiscal year ended December 31st, 1966, and notes relative thereto and the Reports of the Auditors and Mine Manager, is submitted for your consideration.

Due to overruns of construction, delays in bringing the East Mine into production as explained below, and resulting deficiencies in cash flow, it was apparent that your Company was in need of interim financing and during the latter part of the year issued \$500,000 7% Convertible Debentures due September 1, 1971 which may be converted to common shares up to maturity at \$2.25 per share.

Operations at the No. 1 mine continued satisfactorily throughout 1966 despite an inadequate labour supply in the latter part of the year, a two-week shut-down to accommodate the concentrator expansion in preparation of receiving the East Zone ore, and power interruptions.

The expansion of the concentrator to enable treatment of 1,000 tons per day of East Mine ore was completed and started tune-up in late September.

Underground development and stope preparation at the East Mine has progressed much slower than anticipated as more fully reported upon in the Mine Manager's report.

The secondary mine exit and ventilation system at the East Mine are now completed. Stope mining is now in progress and it is considered that the first quarter of 1967 has provided the period for escalation to production of 1,000 tons per day from this zone.

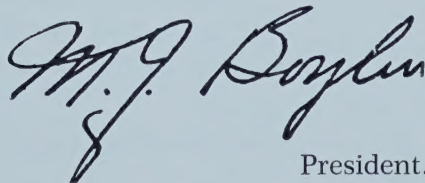
The profit on operations for the year under review before provision for depreciation, mine development expenses written off and provincial mining taxes was \$1,167,447 compared with \$865,666 for the previous year reflecting a net profit after write-offs of \$587,334 compared with \$265,101 for the preceding year.

The profit and loss statement reflect only the results of operations at the No. 1 mine as the East Mine was still in tune-up stage at year end therefore, the results of that operation were charged to pre-production expense subject to credit for sale of metals recovered.

The total milling rate of 1,500 tons per day, 500 from the No. 1 mine and 1,000 from the East Mine, should be reached within the month of April but may be delayed to some degree because of lack of adequate hydro power in the area. The power shortage is expected to be remedied late April or early May 1967.

Your Directors wish to acknowledge the co-operation and assistance of the Province of Newfoundland. They also again express their appreciation for the loyal and able services rendered during the year by its Staff and Employees.

On behalf of the Board of Directors,

A handwritten signature in dark ink, appearing to read "M. J. Boyle". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

President.

Toronto, Ontario,
April 7, 1967.

MINE MANAGER'S REPORT

Box 98, Baie Verte, Nfld.
March 15, 1967

The President and Directors
Consolidated Rambler Mines Limited
Suite 908, 330 Bay Street
Toronto 1, Ontario

Dear Sirs:

Herewith is submitted a report covering operations at the Baie Verte, Newfoundland property during the year ended December 31, 1966.

MAIN ZONE

The Main Zone produced 148,737 tons of ore which yielded 4,078,431 pounds of copper, 4,874,778 pounds of zinc, 103,962 ounces of silver, 16,346 ounces of gold, and 15,843 pounds of cadmium. The net value of payable metals after accounting for smelter losses and treatment and handling charges amounted to \$2,647,015.80.

The following table shows comparative performance data and operating results for the years 1964, 1965 and 1966.

	1964	1965	1966
Tons milled per day	397	375	407
Metal Content:			
Per cent Copper	1.26	1.48	1.36
Per cent Zinc	2.23	1.98	2.04
Ounces of Gold per ton ...	0.127	0.141	0.137
Ounces of Silver per ton ..	0.89	0.93	0.73
Metal Recovery (Per Cent):			
Copper	90.6	96.8	96.3
Zinc	59.0	78.0	81.7
Gold	61.0	77.4	74.8
Silver	57.0	77.1	89.8

The table illustrates an increase in the tonnage milled, very little changes in the average grade of ore, and continued good results in metal recovery.

Mine Operating Costs (Per Ton Milled)

	1965	1966
Development	\$ 0.74	\$ 0.85
Mining	3.87	3.83
Milling	3.09	3.17
General and Administrative	1.69	2.16
	<u>\$ 9.39</u>	<u>\$ 10.01</u>

The trend for costs is to increase yearly unless they are combatted by a lower cost method of mining, increase in mechanization, or, greater efficiency.

We are attempting to increase our drilling efficiency to raise our daily tonnage to 450. We are still short of experienced miners. During the next year a reduction of costs will result from the sharing of services and personnel with the East Zone operation.

Ore Reserves

Date	Tons in Place	Vertical Depth (ft.)	Copper %	Zinc %	Gold oz/ton	Silver oz/ton
Aug. 1, 1964	576,235	775	1.44	2.03	0.21	0.78
Jan. 1, 1966	415,963	775	1.43	1.76	0.24	0.89
Jan. 1, 1967	198,184	650	1.27	2.50	0.17	0.94

During the period August 1, 1964 to January 1, 1967, 343,865 tons were mined grading 1.40% copper, 2.06% zinc, 0.144 oz. gold and 0.87 oz. silver. A very small amount of exploration was done during this period to supplement ore reserves.

The 650 level was developed in 1966 and two stopes are now in operation. The 775 level will be developed during 1967; ore developed by this level will be an addition to the ore reserves as shown in the above table.

Exploration

While only a modest underground exploration programme was conducted during the year, recent diamond drilling has indicated what appears to be a continuous zone of copper values extending from the 400' level to and below the 650' level, an inclined distance of approximately 500 feet. Results from four holes equally spaced over the 500 feet suggest an average thickness of 10 feet and copper values in the order of 1.40 per cent. The zone is readily accessible from present workings. Lateral drives on the 525 and 650 levels will be opened to test the zone over its strike length at these horizons. Insufficient information is available to estimate the potential tonnage of this zone at this time.

A program of detailed surface mapping and stripping mineralized outcrops will be carried out, on claims adjacent to our main orebody this summer. Any diamond drilling required, as a result of this work, will be done in the fall or winter.

EAST ZONE

Construction and installation of equipment was completed during the year. Lateral development and raising was completed in February 1967. All development work and blast-hole drilling, which requires experienced miners, was very slow during the year due to a shortage of these miners. Monthly achievements ranged from 60% to 80% of scheduled work, and hence we are about six months later than scheduled getting into production.

Tune-up of the concentrator was started on September 27, utilizing the surface stock-piled ore and the daily development tonnage. Tons milled during the last three months of the year were 34,059 yielding 578,977 pounds of copper, 822 ounces of silver and 137 ounces of gold.

	1966 (3 Mos.)
Tons Milled Per Day	370
Metal Content:	
Percent Copper	0.94
Ounces of Gold Per Ton	0.004
Ounces of Silver Per Ton	0.024
Metal Recovery (Percent):	
Copper	95.8

The low copper grade was from development ore. The copper grade in January 1967 was 1.77%, and in February 1.54%.

GENERAL

The installation of hydro-power was completed in July 1966. Power interruptions before, during and after the conversion from diesel power were detrimental to both mining operations.

Abnormally dry weather over the past two years has created a serious shortage in the water shed utilized by our supplier of hydro-power. While only brief interruptions have been experienced to date, in this regard, forecasts for the Spring months may prove more serious depending on the start of "Spring Run-Off".

I wish to take this opportunity of acknowledging with appreciation the support and assistance of the President and Board of Directors throughout the period.

R. F. NASSTROM, B.A.Sc., P.Eng.,
Mine Manager.

Balance Sheet December 31st, 1966 (with comparative figures for 1965)

ASSETS

	1966 \$	1965 \$
CURRENT		
Cash	(5,129)	23,723
Net estimated amount receivable from sale of mineral concentrate (Note 1)	962,314	920,690
Accounts receivable	11,742	85,435
Estimated overpayment of special refundable corporation tax and accrued interest	43,172	—
Prepaid expenses and deposits	14,829	37,781
	<u>1,026,928</u>	<u>1,067,629</u>
FIXED		
1 Mining lease in the White Bay District, Province of Newfoundland, at cost (Note 2)	222,068	222,068
Land, at cost	4,485	2,565
Buildings, surface structures and equipment, at cost, less accumulated depreciation of \$491,569 (1965 — \$247,375)	3,034,928	2,578,987
	<u>3,261,481</u>	<u>2,803,620</u>
MISCELLANEOUS		
Materials and supplies on hand and in transit, at cost	394,343	288,637
Special refundable corporation tax and accrued interest	13,650	—
	<u>407,993</u>	<u>288,637</u>
DEFERRED EXPENDITURES		
Mine development expenses, less amortization	2,197,292	1,476,019
Incorporation and organization expenses	—	6,755
	<u>2,197,292</u>	<u>1,482,774</u>
	<u>6,893,694</u>	<u>5,642,660</u>

Approved on behalf of the Board.

M. J. BOYLEN, Director.

G. L. MOORE, Director.

CONSOLIDATED RAMBLER MINES LIMITED

(Incorporated under the Laws of Ontario)

LIABILITIES

	1966 \$	1965 \$
CURRENT		
Bank loans, secured	524,738	155,000
Accounts payable and accrued liabilities	1,224,715	924,076
	<u>1,749,453</u>	<u>1,079,076</u>
LONG TERM		
4½ % First mortgage serial bonds (U.S.\$600,000) (Notes 3, 4, 5 and 8)	649,500	1,136,625
6% Second mortgage bonds (Notes 6, 7 and 8)	1,200,000	1,200,000
7% Convertible debentures (Note 9)	500,000	—
5% Unsecured, deferred, subordinated notes and accrued interest (Note 10)	57,399	54,899
	<u>2,406,899</u>	<u>2,391,524</u>

COMMITMENT
(Note 11)

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized:

5,000,000 Shares of \$1.00 par value — \$5,000,000

Issued:

2,940,006 Shares	2,940,006	2,940,006
Less: Discount thereon	965,000	965,000
	<u>1,975,006</u>	<u>1,975,006</u>

Options: (Note 12)

CONTRIBUTED SURPLUS

Balance, end of year, unchanged	14,625	14,625
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EARNED SURPLUS

Balance, end of year	747,711	182,429
	<u>2,737,342</u>	<u>2,172,060</u>
	<u>6,893,694</u>	<u>5,642,660</u>

The notes attached form an integral part of these financial statements.

Submitted with our Report to the Shareholders dated April 7th, 1967.

SNYDER, CRAIG & CO.,
Chartered Accountants.

CONSOLIDATED RAMBLER MINES LIMITED

Statement of Profit and Loss

For the Year Ended December 31st, 1966

(with comparative figures for 1965)

	1966 \$	1965 \$
INCOME		
Gross metal production	3,256,346	2,738,491
Less: Marketing costs	609,330	585,272
Net metal production	2,647,016	2,153,219
OPERATING EXPENSES		
Mining	698,955	631,718
Milling	470,105	423,848
Mine general expenses	225,537	164,729
Administrative expenses	84,972	67,258
	1,479,569	1,287,553
NET PROFIT on operations before provision for depreciation, mine development expenses written off and provincial mining tax	1,167,447	865,666
PROVISION FOR		
Depreciation of fixed assets	208,179	190,656
Mine development expenses written off	143,195	143,194
Provincial mining tax	14,615	32,710
	365,989	366,560
NET PROFIT on operations after provision for depreciation, mine development expenses written off and provincial mining tax	801,458	499,106
FINANCIAL EXPENSES		
Interest on first mortgage bonds	48,591	61,995
Interest on convertible debentures	8,534	—
Other interest	86,999	46,154
Financial charge payable to the Province of Newfoundland	70,000	125,856
	214,124	234,005
NET PROFIT for the year	587,334	265,101

CONSOLIDATED RAMBLER MINES LIMITED

Statement of Earned Surplus

For the Year Ended December 31st, 1966

(with comparative figures for 1965)

	1966 \$	1965 \$
Balance, beginning of year	182,429	(59,103)
Add: Net profit for the year	587,334	265,101
	<u>769,763</u>	<u>205,998</u>
Deduct: Loss on disposal of fixed assets	15,297	5,977
Exploration costs on mining concession abandoned	—	17,592
Incorporation expenses written off	6,755	—
	<u>22,052</u>	<u>23,569</u>
Balance, end of year	<u>747,711</u>	<u>182,429</u>

Statement of Mine Development Expenses

For the Year Ended December 31st, 1966

(with comparative figures for 1965)

	\$	\$
Balance, beginning of year	1,476,019	1,183,521
Assays	349	1,671
Brow, lip and spill pockets	2,601	—
Drifting and cross-cutting	270,996	4,282
Grizzly	2,139	—
Interest expense	54,000	29,482
Line cutting	2,287	—
Loading pocket	—	12,646
Mine general expenses	121,331	56,522
Payment in lieu of work on mining concession	—	5,242
Raising	63,308	—
Roads and yards	13,776	18,986
Shaft sinking	5,523	268,800
Soil testing	8,765	—
Station cutting	1,588	52,223
Stope preparation	4,425	500
Surface diamond drilling	7,350	—
Surface exploration	(1,486)	1,586
Temporary structures written off	19	1,344
Underground diamond drilling	42,479	—
Ventilation raises	49,618	—
Net loss on East Zone metal production	434,003	—
	<u>1,083,071</u>	<u>453,284</u>
	<u>2,559,090</u>	<u>1,636,805</u>
Less: Mine development expenses on mining concession abandoned charged to surplus	—	17,592
Amortization of mine development expenses	353,178	143,194
Amounts transferred to fixed assets	8,620	—
	<u>361,798</u>	<u>160,786</u>
Balance, end of year	<u>2,197,292</u>	<u>1,476,019</u>

CONSOLIDATED RAMBLER MINES LIMITED

Statement of Source and Application of Funds

For the Year Ended December 31st, 1966

(with comparative figures for 1965)

	1966 \$	1965 \$
SOURCE OF FUNDS		
Net earnings	587,334	265,101
Depreciation of fixed assets	208,179	190,656
Amortization of mine development	143,195	143,194
Funds applicable to operations	938,708	598,951
Issue of 6% second mortgage bonds	—	1,200,000 (a)
Issue of 7% convertible debentures	500,000	—
Issue of capital stock	—	735,001
Interest deferred on subordinated notes	2,500	2,500
	<u>1,441,208</u>	<u>2,536,452</u>
APPLICATION OF FUNDS		
Purchase of fixed assets:		
Land	1,920	1,965
Buildings, surface structures and equipment	720,139	975,347
	<u>722,059</u>	<u>977,312</u>
Mine development	823,746	453,283
Payment of 4½ % first mortgage bonds	487,125	487,125
Purchase of materials and supplies	105,706	64,621
Special refundable corporation tax and accrued interest	13,650	—
	<u>2,152,286</u>	<u>1,982,341</u>
Resulting in an increase (decrease) in working capital of	(711,078)	554,111
Working capital, beginning of year	(11,447)	(565,558) (a)
Working capital, end of year	<u>(722,525)</u>	<u>(11,447) (a)</u>

NOTE — Items above marked (a) have been adjusted for consistency in presentation due to the change set out in Note 8 of the Notes to the Financial Statements.

CONSOLIDATED RAMBLER MINES LIMITED

Notes to Financial Statements

DECEMBER 31st, 1966

AMOUNT RECEIVABLE FROM SALE OF MINERAL CONCENTRATES

1. Mineral concentrates produced have been sold to an independent processor. Final determination of the amount receivable is reported to the Company by the processor in the fourth month following the placing of the mineral concentrate into process.

MINING LEASE

2. The mining lease granted by the Province of Newfoundland is for a term of 30 years from February 1st, 1961, and is renewable for two additional terms of 30 years each. An annual rental is stipulated under the lease equal to one-third of the net profits from all mining operations calculated in accordance with a formula set out in the lease. No rental is payable in respect of fiscal periods up to December 31st, 1966.

4½% FIRST MORTGAGE SERIAL BONDS

3. The principal amount of the bonds, which are guaranteed by the Province of Newfoundland, becomes due and payable in U.S. funds as follows:

July 1st, 1967	\$ 300,000
July 1st, 1968	300,000
	<u>\$ 600,000</u>

4. Under the terms of a Trust Deed, the bonds are secured by a first fixed and specific mortgage, pledge and charge on all the Company's real and immovable freehold and leasehold property and rights, including mining leases, rights, concessions, claims and licenses of occupation, now owned or hereafter acquired, together with all mines, mills, buildings, erections, fixed plant, fixed machinery and fixed equipment, and by a first floating charge on all the other assets of the Company.

5. Under an agreement dated as of November 18th, 1963, and in consideration for the guarantee of the bonds by the Province of Newfoundland, the Company has agreed:

(a) that it will pay to the Province of Newfoundland, as a first charge on the net profits, \$350,000 out of the profits derived from mining operations by equal amounts of \$70,000 in each of the calendar years 1964 to 1968 inclusive, but if in any calendar year the sum of \$70,000 is not paid in full, such amount or the unpaid part thereof, is payable in a subsequent calendar year during which the Company shall have derived sufficient profit from its operation, provided that the whole of the \$350,000 shall be paid on or before March 31st, 1969. The liability in respect of 1964, 1965 and 1966 has been fully provided for in these Financial Statements.

(b) that during the period that any of the bonds remain outstanding or the Company is under any liability to the bondholders in respect of the bonds or to the government in respect of its guarantee, it will pay, in addition to the usual mining tax of 5% of net income derived from mining, an additional 2% of such net income.

6% SECOND MORTGAGE BONDS

6. The principal amount of the bonds, which were issued under a Trust Indenture dated January 15th, 1965, becomes due and payable in five equal annual instalments of \$240,000 each on April 1st in the years 1966 to 1970 inclusive. The bonds are secured by a second fixed and specific mortgage, pledge and charge on all the property and rights described in Note 4 and by a second floating charge on all the other assets of the Company. They may be redeemed in whole or in part at the Company's option on not less than 30 days' notice, at the principal amount thereof plus accrued and unpaid interest.
7. By agreement with the holder of the bonds, the time for payment of interest falling due on dates up to July 1st, 1967 has been extended to that date. The times for payment of the first and second instalments of principal have been extended to July 1st, 1967 and December 31st, 1967 respectively.

FIRST AND SECOND MORTGAGE BONDS PAYABLE

8. A change in method of presentation of bonds payable has been made on the Balance Sheet. The portion of bond principal due within one year and the first instalment of the second mortgage bonds due on April 1st, 1966 have not been separated and shown as current liabilities. Maturities of these bonds are set out in Notes 3, 6 and 7 above.

7% CONVERTIBLE DEBENTURES

9. The principal amount of the debentures becomes due and payable on September 1st, 1971 or they may be redeemed in whole or in part at the Company's option on 30 days' notice at the principal amount thereof plus accrued and unpaid interest. The debentures are secured by a floating charge on the Company's property which ranks behind all the charges set out in Notes 4 and 6 above. Holders of the debentures may convert them into shares of the Company at the rate of one \$1.00 par value share for each \$2.25 principal amount of debentures.

UNSECURED, DEFERRED, SUBORDINATED NOTES

10. Note holders have the option to purchase shares of the Company at \$1.00 per share on the due date, December 31st, 1968, in lieu of cash payment.

COMMITMENT

11. The Company is committed to making contributions to the Roman Catholic and Amalgamated School Boards of the Town of La Scie, Newfoundland, to a total of \$40,000 and payable in four instalments of \$10,000 each in the years 1967, 1968, 1969 and 1970.

CAPITAL STOCK OPTIONS

12. Holders of the convertible debentures and subordinated notes have the option of acquiring capital stock of the Company as set out in Notes 9 and 10 above.

SNYDER, CRAIG & CO.

CHARTERED ACCOUNTANTS

CABLE ADDRESS "JNOCRAIG"
TELEPHONE EMPIRE 6-9444

330 BAY STREET

TORONTO
CANADA

To the Shareholders of

CONSOLIDATED RAMBLER MINES LIMITED,

Toronto, Ontario.

We have examined the Balance Sheet of Consolidated Rambler Mines Limited as at December 31st, 1966 and the Statements of Profit and Loss, Earned Surplus, Mine Development and Source and Application of Funds for the year ended on that date and the Notes to the Financial Statements. Our examination included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the attached Balance Sheet and Statements of Profit and Loss, Earned Surplus, Mine Development, Source and Application of Funds and the Notes to the Financial Statements present fairly the financial position of the company as at December 31st, 1966, and the results of its operations and the source and application of its funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Snyder Craig & Co.

Chartered Accountants.

April 7th, 1967.

